

Message Text

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AMEMBASSY ATHENS

C O N F I D E N T I A L BAGHDAD 1612

ATHENS FOR RTDO

E.O. 11652: GDS

TAGS: BEXP EFIN IZ

SUBJECT: GOI OFFICIALS EXPRESS INTEREST IN EXPORT CREDITS

1. SUMMARY. EXIM BANK OFFICIALS THOMAS MORAN AND PHILIP DUNTON MET WITH OFFICIALS OF THE CENTRAL BANK, MINISTRY OF FINANCE AND THE RAFIDAIN BANK ON OCTOBER 26 TO DISCUSS THE IMPORTANCE OF EXPORT CREDITS IN GOI'S CONSIDERATION OF BIDS FOR MAJOR PROJECTS. THE DEPUTY MINISTER OF FINANCE, HASSAN AL-NAJAFI, SAID THE GOI IS "OPEN TO ALL FINANCING". END SUMMARY.

2. THE CENTRAL BANK'S DIRECTOR GENERAL FOR LOANS AND AGREEMENTS, SADIQ HASOON TAHA, TOLD VISITING EXIM BANK OFFICIALS AND USINT OFFICER KEISWETTER THAT THE GOI IS INTERESTED IN EXPORT CREDITS ON A COMPETITIVE BASIS. TAHA SPECIFICALLY ASKED IF EXIM BANK DECISIONS WERE INFLUENCED BY THE "POLITICAL CONDITIONS" BETWEEN THE U.S. AND THE BORROWING COUNTRY AND WHETHER THE EXIM BANK DISCRIMINATED AMONG BORROWING COUNTRIES IN REGARD TO RATES. MORAN EXPLAINED THAT EXIM BANK HAS PROVIDED EXPORT CREDITS TO MOST COUNTRIES OF THE WORLD,
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INCLUDING TO ALGERIA BEFORE THE RE-ESTABLISHMENT OF

U.S.-ALGERIAN RELATIONS, BUT THAT AN INTER-DEPARTMENTAL USG COMMITTEE REVIEWED EXIM BANK LOAN DECISIONS. EXIM BANK RATES VARIED FROM 8 1/4 TO 9 1/2 PERCENT DEPENDING ON THE RISK INVOLVED.

3. TAHA SAID THESE RATES WERE HIGH, AND THAT, FOR EXAMPLE, THE JAPANESE HAD PROVIDED FINANCING AT "HIGHER THAN FOUR PERCENT BUT LOWER THAN SEVEN PER CENT." MORAN SAID THAT EXIM BANK DOES NOT SUBSIDIZE EXPORTS AND CONSEQUENTLY DOES NOT PROVIDE THE "BLENDED" AID AND EXPORT CREDITS OF THE JAPANESE VARIETY. TAHA SAID THAT ON BIG TENDERS, OF COURSE, THE GOI TAKES INTO ACCOUNT THE TOTAL COST OF THE PROJECT INCLUDING FINANCING CHARGES. IN THESE CONSIDERATIONS RATES ARE A MAJOR FACTOR.

4. KEISWETTER ASKED WHAT TYPE OF PROJECTS THE GOI MIGHT BE PARTICULARLY INTERESTED IN FINANCING. SADDAM HUSSEIN HAD ANNOUNCED ON OCTOBER 26 PLANNING PRIORITIES EMPHASIZING THE DEVELOPMENT OF "HUMAN RESOURCES". PERHAPS THE GOI WOULD USE ITS OWN RESOURCES FOR EDUCATION, HOUSING, AND SIMILAR PROJECTS, BUT SEEK EXPORT CREDITS FOR THE MORE COMMERCIALY ORIENTED PROJECTS IN THE INDUSTRIAL AND AGRICULTURAL SECTORS. TAHA REPLIED THAT THERE WERE PRIORITIES IN ALL SECTORS AND ALL DEPENDS ON THE GOI'S RESERVE POSITION.

5. DEPUTY FINANCE MINISTER, HASSAN AL-NAJAFI, REITERATED TAHA'S POINT THAT THE GOI HAD NO POLITICAL OBJECTIONS TO EXIM BANK FINANCING, SAYING HE HAD CHECKED WITH THE FINANCE MINISTER PRIOR TO OUR APPOINTMENT TO CONFIRM THAT MAJOR PROJECTS WERE "OPEN TO ALL FINANCING". MORAN ASKED WHY AN OIL-RICH COUNTRY LIKE IRAQ SOUGHT EXPORT CREDITS: WAS IT BECAUSE THE GOI COULD INVEST IN LONDON AT NINE PER CENT AND BORROW FROM THE JAPANESE AT SEVEN PERCENT? NAJAFI SAID YES, BUT THAT IN ADDITION THE GOI MAY WANT TO UNDERTAKE PROJECTS WHICH WOULD REQUIRE FINANCING BEYOND THE REVENUES PROVIDED BY OIL SALES.

6. RAFIDAIN BANK ACTING PRESIDENT, TARIQ ABDULWAHAB AL KHATIB, ALSO RECEIVED MORAN, DUNTON AND KEISWETTER
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BUT DEFERRED ALL SUBSTANTIVE QUESTIONS TO CENTRAL BANK AND MINISTRY OF FINANCE OFFICIALS.

7. COMMENT: ALTHOUGH IRAQ HAS RELATIVELY COMFORTABLE FOREIGN EXCHANGE RESERVES, GOI IS OBVIOUSLY INTERESTED IN ADDITIONAL SOURCES OF CREDIT AND HAS IN FACT PUSHED HARD FOR ADDITIONAL CREDIT FACILITIES WITH ITS TWO LARGEST SUPPLIERS, JAPAN AND WEST GERMANY. IT IS QUITE POSSIBLE THAT

ON SOME MAJOR PROJECTS EXIM FINANCING COULD TIP THE
BALANCE IN FAVOR OF A U.S. COMPETITOR.
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